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REVISED

SDG&E

DIRECT TESTIMONY OF MICHELLE A. SOMERVILLE

MISCELLANEOUS REVENUES

APRIL 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



A  Sempra Energy utility®

TABLE OF CONTENTS

- I. INTRODUCTION 1
 - A. Summary of Proposals 1
 - B. Support To/From Other Witnesses 1
- II. OVERVIEW OF 2016 FORECAST..... 1
- III. COMPONENTS OF MISCELLANEOUS REVENUES 3
 - A. Electric Department 3
 - 1. Service Establishment Charges (\$000’s) 3
 - 2. Collection Charges (\$000’s) 4
 - 3. Late Payment Charges (\$000’s)..... 5
 - 4. Returned Check Service Charge (\$000’s)..... 6
 - 5. Direct Access (“DA”) Fees (\$000’s) 6
 - 6. Cogeneration Reimbursement (\$000’s) 7
 - 7. Other Service Revenues (\$000’s) 7
 - 8. Rent From Electric Property (\$000’s)..... 8
 - 9. Special Facility Charges (\$000’s)..... 8
 - 10. Customer Advances for Construction (“CAC”) (\$000’s)..... 9
 - 11. Other Miscellaneous Revenues (\$000’s) 10
 - 12. Revenue Cycle Service (“RCS”) Credits (\$000’s) 10
 - 13. Pole Attachment Fees (\$000’s)..... 11
 - 14. Shared Assets (\$000’s) 11
 - 15. Federal Energy Retrofit Program (“FERP”) (\$000’s) 13
 - 16. Other Miscellaneous Revenues (\$000’s) 13
 - B. Gas Department 13
 - 1. Service Establishment Charges (\$000’s) 14
 - 2. Collection Charges (\$000’s) 15
 - 3. Late Payment Charges (\$000’s)..... 16
 - 4. Rent from Gas Property (\$000’s)..... 17
 - 5. Customer Advances for Construction (\$000’s) 17
 - 6. Shared Assets (\$000’s) 18
 - 7. Federal Government Retrofit Revenue (\$000’s)..... 18

8.	Other Miscellaneous Revenues (\$000's)	19
IV.	CONCLUSION	19
V.	WITNESS QUALIFICATIONS	20
	APPENDIX A	A-1

1
2 **SUMMARY**
3

4 My testimony proposes:

- 5 • A Test Year (“TY”) 2016 miscellaneous revenues forecast of \$19.2 million, which
6 includes the impact of the Commission’s disconnection Order to Institute
7 Rulemaking, R.10-02-005, and SDG&E’s Smart Meter remote disconnection
8 capabilities.
- 9 • To update the Service Establishment Charge fee structure to \$5 for non-fielded orders
10 and \$25 for fielded orders for TY2016.
- 11 • To update the Returned Check Service Charge to \$7 for TY2016.

1 **SDG&E DIRECT TESTIMONY OF MICHELLE A. SOMERVILLE**
2 **MISCELLANEOUS REVENUES**

3 **I. INTRODUCTION**

4 **A. Summary of Proposals**

5 I sponsor the Test Year 2016 calculations, presentation of costs, and proposals of the
6 Miscellaneous Revenue area for San Diego Gas & Electric Company (“SDG&E”). Table 1
7 below summarizes SDG&E’s miscellaneous revenues for recorded (Base Year 2013) and
8 proposed (Test Year 2016) in thousands of dollars (\$000’s).

9 **TABLE 1**

10 **Test Year 2016 Summary of Miscellaneous Revenue**

Department	2013 Recorded	2016 Test Year	Net Change
Electric	16,141	15,220	(921)
Gas	5,012	4,005	(1,007)
Total	21,153	19,225	(1,928)

11 **B. Support To/From Other Witnesses**

12 The miscellaneous revenue forecast incorporates the forecasted meter growth that is
13 covered in the direct testimony of Rose-Marie Payan (Ex. SDG&E-32) and Ken Schiermeyer
14 (Ex. SDG&E-31). This testimony provides the basis for the forecasted and the projected
15 revenues associated with the Customer Service Field and Customer Service Operations,
16 Information, and Technologies presented in the testimony Sara Franke (Ex. SDG&E-13) and
17 Bradley Baugh (Ex. SDG&E-14), respectively. This testimony also includes the forecast and
18 revenue methodology for Customer Advance for Construction (“CAC”). Additional information
19 on CAC revenue is described in the testimony of Jesse Aragon (Ex. SDG&E-27).

20 **II. OVERVIEW OF 2016 FORECAST**

21 Miscellaneous revenues are comprised of fees and revenues collected by the utility from
22 non-rate sources for the provision of specific products or services. They include such revenues
23

1 as service establishment charges, collection charges and rents. The miscellaneous revenues
2 presented in this testimony include only those revenues allocated to the electric distribution and
3 gas departments of SDG&E. It excludes miscellaneous revenues associated with electric
4 transmission properties and facilities, wheeling charges and other non-distribution sources
5 recovered through FERC-jurisdictional ratemaking mechanisms. Miscellaneous revenues are
6 incorporated into rates as a reduction to the electric distribution and gas base margin revenue
7 requirements charged to customers for utility service, thereby lowering rates.

8 For purposes of forecasting TY 2016 miscellaneous revenues, SDG&E performed an
9 item by item analysis of miscellaneous revenue accounts, including a review of prior-year
10 recorded results as well as the factors that could impact future results. The forecasts were
11 developed using methodologies that reflect the drivers for each miscellaneous revenue item. For
12 many items, such as cogeneration reimbursements, where SDG&E has multiple years of
13 recorded activity, the forecast was developed using a multi-year recorded average adjusted by
14 estimated customer or sales growth factors, where applicable. In circumstances where the charge
15 is based on a per customer basis, a customer growth factor was applied to adjust historical results
16 to develop the 2016 forecast. Generally, unless otherwise specified, the customer or sales
17 growth factors were applied at a system-wide level for simplicity and consistency purposes. In
18 instances where the multi-year recorded results are not available or recent factors have caused
19 the multi-year results to no longer reflect a reasonable expectation of the future, SDG&E used
20 the most recent recorded year (2013) to develop the forecast. In other cases, such as rents from
21 property or pole attachment fees, the forecast is based on executed lease agreements adjusted for
22 applicable escalation clauses. Finally, for other miscellaneous revenue items not reflected in the

1 categories described above, a forecasting methodology was applied to reflect the unique
2 circumstances of the particular activity.

3 **III. COMPONENTS OF MISCELLANEOUS REVENUES**

4 **A. Electric Department**

5 Electric miscellaneous revenues are recorded to Federal Energy Regulatory Commission
6 (“FERC”) accounts 451 (Miscellaneous Service Revenues), 454 (Rent from Electric Properties)
7 and 456 (Other Electric Revenues). The following table summarizes 2013 recorded and 2016
8 estimated miscellaneous revenues in thousands of dollars (\$000’s). A more detailed discussion
9 on each FERC account is provided in the section below.

FERC Account	Description	2013 Recorded	2016 Test Year	Net Change
451	Miscellaneous Service Revenues	5,008	4,145	(863)
454	Rent from Electric Property	3,054	4,142	1,088
456	Other Electric Revenues	8,079	6,933	(1,146)
	Total	16,141	15,220	(921)

10 **Miscellaneous Service Revenues – Account 451**

11 These revenues reflect fees collected by the utility for Service Establishment Charges¹,
12 Collection Charges, Late Payment Charges and other service related fees.

13 **1. Service Establishment Charges (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
2,400	2,730	330

14
15
16 Service Establishment Charges (“SECs”) are the fees charged to establish or re-establish
17 service each time an account is opened. The SEC is assessed in accordance with SDG&E’s

¹ The use of initial capitalization herein denotes words that are defined in SDG&E’s tariffs or in Commission decisions.

Commission-approved Tariff Schedule SE and is applicable to all electric customers metered by SDG&E. The SEC is currently \$15.00. SDG&E proposes to update the fee structure to \$5 for non-fielded orders and \$25 for fielded orders². The proposed updated fee structure is a better representation of the costs³ SDG&E incurs related to this service and takes into account the impact of SDG&E's Smart Meter remote disconnection capabilities. As described in the 2012 General Rate Case, utilizing this remote capability significantly reduces SDG&E's costs and, in most cases, eliminates the need for a fielded order. The most recent recorded year (2013) reflects the reduction in revenues due to the impact of SDG&E's Smart Meter fee reduction and remote disconnection capabilities. To include the full Smart Meter benefits and to better align these charges with the cost of service, the forecast for 2016 is based on the calculation of the most recent recorded year (2013) adjusted by the estimated annual customer growth factors for the period 2014-2016 and the updated fee structure. Customer growth is presented in the direct testimony of Ken Schiermeyer (Ex. SDG&E-31).

2. Collection Charges (\$000's)

2013 Recorded	2016 Test Year	Net Change
1,608	108	(1,500)

Collection Charges are levied on customers to pay for the costs of delivering field collection notices. The fees are based on \$9 and \$15 increments pursuant to SDG&E's Commission-approved Rule 9 Tariff. The forecast includes the impact from D.14-06-036 in the

² A fielded order is a request for service that must be performed at the customer's premises. These types of activities are discussed in the testimony of Sara Franke (Ex. SDG&E-13). A non-fielded order is a request for service that can be performed remotely.

³ The cost of a fielded and non-fielded service is \$70.75 and \$3.86, respectively.

1 Commission's disconnection rulemaking, R.10-02-005.⁴ The decision specifies procedures for
2 vulnerable customers,⁵ communication practices, California Alternate Rates for Energy
3 ("CARE") enrollment, payment arrangements, and re-establishment of credit deposits. This
4 forecast also reflects the reduction in revenues due to the impact of SDG&E's Smart Meter
5 remote disconnection capabilities. There is no collection charge for remote disconnection.

6 The 2016 forecast calculation is based on the forecasted Field Collection and
7 Disconnection orders, adjusted for: the operational fees mentioned above, no-charge orders for
8 vulnerable customers, and Call Center allowed credit adjustments. There is a large reduction in
9 field collection work due to the elimination of the fielded 48-hour First Call Collection orders
10 (\$9 fee). Starting on June 1, 2014, these notices will be sent via mail for all customers excluding
11 vulnerable customers. This eliminates about 249,000 chargeable fielded calls from 2013 to
12 TY2016, offset slightly by an increase in chargeable \$9 Second Call Collection orders for
13 vulnerable customers of 10,000, and an increase in Commercial disconnections (\$15 fee) of
14 2,700. Collection Charges are allocated to both the electric and gas departments. Additional
15 information on the forecasted changes to the collection process is described in the testimony of
16 Sara Franke (Ex. SDG&E-13).

17 **3. Late Payment Charges (\$000's)**

2013 Recorded	2016 Test Year	Net Change
478	447	(31)

⁴ *Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.* The forecast's estimated annual customer growth includes the effects of the decision, which has impacts on existing customer groups in addition to anticipated customer growth. D.14-06-036, issued June 26, 2014, approves a residential disconnection settlement agreement among SDG&E, Office of Ratepayer Advocates, The Utility Reform Network, Greenlining Institute, Center for Accessible Technology, Pacific Gas and Electric Company, Southern California Edison, and SoCalGas.

⁵ According to D.14-06-036, SDG&E shall continue in-person visits within the 48 hours prior to, or at the time of, disconnection for special needs and Elderly (62 years +) profiled customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnected.

1 Late Payment Charges are also assessed pursuant to SDG&E’s Commission-approved
2 Rule 9 Tariff. The fees are charged to commercial customers for delinquent payments. In
3 determining the 2016 forecast, SDG&E used the most recent five-year historical average (2009-
4 2013) adjusted by the estimated annual electric commercial customer growth factors for the
5 period 2014-2016. This forecast methodology utilizes the available historical data. This is an
6 established service with no significant changes; therefore, averaging the costs over a five-year
7 period best reflects a reasonable estimate of future annual revenues. Late Payment Charges are
8 allocated to both the electric and gas departments.

9 **4. Returned Check Service Charge (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
223	201	(22)

10
11 A fee of \$8 is charged to customers for returned checks pursuant to SDG&E’s
12 Commission-approved Rule 9 tariff. SDG&E proposes to update the fee structure to \$7 for
13 TY2016. The updated fee structure is a better representation of the costs⁶ SDG&E incurs. In
14 determining the 2016 forecast, SDG&E used the most recent five-year historical average (2009-
15 2013) of the volume of charges assessed adjusted for the projected annual customer growth
16 factors for the period 2014-2016 at the current authorized rate of \$8 for 2014-2015 and the
17 proposed rate of \$7 in TY2016.

18 **5. Direct Access (“DA”) Fees (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
72	91	19

19

⁶ The cost to process a returned check is \$6.33.

1 Revenues from DA fees include: (1) charges billed to Energy Service Providers (“ESPs”)
2 for late payments, rebilling and other miscellaneous billing requests completed by SDG&E on
3 behalf of ESPs; and (2) metering charges billed to DA customers for installation of meters and
4 monthly maintenance of SDG&E-owned meters. The 2016 forecast is based on a five-year
5 historical average (2009-2013). This forecast methodology utilizes the available historical data.
6 This is an established service with no significant changes; therefore, averaging the costs over a
7 five-year period best reflects a reasonable estimate of future annual revenues.

8 **6. Cogeneration Reimbursement (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
224	236	12

9
10 Cogeneration reimbursements are received from the billing of cogenerators and small
11 power producers for utility operating and maintenance expenses attributable to work performed
12 by the utility at the customer’s facilities. The charges by the utility are billed in accordance with
13 SDG&E’s Commission-approved Rule 21 Tariff – Electric Interconnections. The 2016 estimate
14 is based on the most recent five-year historical average (2009-2013). This forecast methodology
15 utilizes the available historical data. This is an established service with no significant changes;
16 therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future
17 annual revenues.

18 **7. Other Service Revenues (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
3	332	329

19
20 These revenues are from other customer service items, primarily temporary service work,
21 and include meter testing, special metering and billing charges, and other service charges. The

1 2016 estimate is based on the most recent five-year historical average (2009-2013). This
2 forecast methodology utilizes the available historical data. This is an established service with no
3 significant changes; therefore, averaging the costs over a five-year period best reflects a
4 reasonable estimate of future annual revenues.

5 **Rent from Electric Property – Account 454**

6 These revenues reflect payments received by the utility for the rental of electric property,
7 equipment and special facilities. This account also includes the revenues from CAC.

8 **8. Rent From Electric Property (\$000's)**

2013 Recorded	2016 Test Year	Net Change
1,462	1,629	167

9
10 Rents from electric property primarily reflect revenues received for the use of SDG&E's
11 operating sites, properties, and licenses. The amount recorded for rents exclude those properties
12 assigned to SDG&E's electric transmission department. The 2016 forecast is based on the rents
13 received from existing lease agreements adjusted for applicable escalation clauses.

14 **9. Special Facility Charges (\$000's)**

2013 Recorded	2016 Test Year	Net Change
951	1,722	771

15
16 Revenues from special facilities reflect charges billed to customers for the installation,
17 use and/or maintenance of facilities by the utility at the customer's request. Pursuant to
18 SDG&E's Commission-approved Rule 2 tariff, these facilities can include, but are not limited to,
19 power quality conditioning equipment, peaking equipment, customer connection costs,
20 installation and/or maintenance of facilities downstream of the meter, facilities where the cost is
21 in excess of the standard extension allowances and alternate equipment. Payments from

1 customers are received in either monthly increments, annual installments or as one-time
2 payments as selected by the customer. The 2016 forecast is based on the most recent five-year
3 historical average account balance (2009-2013) adjusted for a one-time project. This forecast
4 methodology utilizes the available historical data. This is an established service with no
5 significant changes; therefore, averaging the costs over a five-year period best reflects a
6 reasonable estimate of future annual revenues.

7 **10. Customer Advances for Construction (“CAC”) (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
601	734	133

8
9 CAC revenue, also called “ownership cost deductions,” reflects the amount of revenue,
10 based on a fixed percentage, which can be taken by SDG&E as a reduction to CAC deposits on a
11 monthly basis if the customer does not become eligible for refunds 1 (electric) to 3 (gas) years
12 after SDG&E’s facilities are ready to provide service. CAC deposits are administered in
13 accordance with two Commission-approved tariffs: Rule 15 – Distribution Line Extensions and
14 Rule 16 – Service Extensions. The 2016 forecast reflects a five-year historical average (2009-
15 2013) of the total monthly balance in the CAC miscellaneous revenue account, adjusted for the
16 electric ownership rate⁷ of 0.38%. This forecast methodology utilizes the available historical
17 data and adjusts for the electric ownership rate update. This provides the best estimate of future
18 annual revenues. Additional information on CAC deposits is described in the direct testimony of
19 Jesse Aragon (Ex.SDG&E-27).

⁷ The ownership rate recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized.

1 **11. Other Miscellaneous Revenues (\$000's)**

2013 Recorded	2016 Test Year	Net Change
40	57	17

2
3 Other miscellaneous revenues reflect items not contained in any of the categories above,
4 including the electric right-of-way fees.⁸ The 2016 forecast reflects the forecasted revenues for
5 environmental lab testing and protective equipment training, which is based on the recent five-
6 year historical average account balance (2009-2013). This forecast methodology utilizes the
7 available historical data. This is an established service with no significant changes; therefore,
8 averaging the costs over a five-year period best reflects a reasonable estimate of future annual
9 revenues.

10 **Other Electric Revenues – Account 456**

11 These revenues reflect amounts received from other sources, including shared assets
12 charged to affiliates, federal government retrofit programs and other miscellaneous revenue
13 activities. Shared asset revenues reflect charges to SDG&E affiliates primarily for the use of
14 information technology and telecommunication assets. Government retrofit programs reflect the
15 provision of energy efficiency programs to government agencies. This account also includes the
16 revenues SDG&E receives from the lease of distribution pole attachments. Other miscellaneous
17 revenues include the provision of various goods and services to third parties, including protective
18 equipment training and environmental lab testing.

19 **12. Revenue Cycle Service (“RCS”) Credits (\$000's)**

2013 Recorded	2016 Test Year	Net Change
(254)	(305)	(51)

⁸ Commission-adopted rules governing access to right-of-way and support structures in D.98-10-058, Appendix A.

1 Pursuant to Decision (“D.”) 98-09-070, SDG&E was directed to provide credits to DA
2 customer bills for those customers who elect to have metering and billing services from a party
3 other than SDG&E. These credits are intended to capture the avoidable costs of a DA customer
4 who no longer takes the RCS from the utility, which is recovered in SDG&E’s electric
5 distribution rate. The RCS credits are calculated in accordance with the “Bill Credits” section of
6 SDG&E’s Commission-approved Schedule DA tariff. Since the RCS credits reduce the amount
7 of revenue SDG&E is able to recover in electric distribution rates, the credits are recorded to
8 account 456 as “negative” miscellaneous revenue. The forecast for 2016 is based on the most
9 recent five-year historical average (2009-2013) adjusted for the anticipated 30% increase in DA
10 reads.

11 **13. Pole Attachment Fees (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
1,474	1,611	137

12 Pole attachment fees reflect charges received from telephone and cable companies for the
13 use of SDG&E’s distribution poles, including rights of way. The amounts exclude those fees
14 related to electric transmission poles, which are addressed through the FERC-jurisdictional rates.
15 The 2016 forecast is based on the 2011 settlement agreement⁹.

17 **14. Shared Assets (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
5,994	5,085	(909)

18 ⁹ On January 21, 2011 SDG&E entered into a settlement agreement regarding distribution pole attachment fees (Advice Letter 2225-E). The set fees for 2014 – 2016 are as follows: 2014-\$14.75, 2015-\$15.50, and 2016-\$16.35.

1 Revenue from shared assets reflects the use of SDG&E assets, primarily computer
2 hardware and software and communication equipment, by Southern California Gas Company
3 (“SoCalGas”), Sempra Energy Corporate Center (“SECC”) and/or unregulated affiliates.

4 Revenues from shared assets are allocated to both the electric and gas departments.

5 On an on-going basis, SDG&E and SoCalGas follow a shared asset policy whereby the
6 company that receives the majority of the benefits from the shared assets shall own such assets
7 and bill the affiliates for their use. This policy was implemented for new shared assets acquired
8 or constructed on or after November 1, 2002.

9 The forecast of the 2016 charges billed to affiliates reflects the development of a revenue
10 requirement associated with owned assets, including depreciation, property taxes, federal and
11 state income taxes and the authorized return on rate base. The portion of the shared asset costs
12 allocated to SDG&E, SECC and its unregulated affiliates is based on methodologies used to
13 measure utilization. For each type of shared asset, an assignment of a causal/beneficial
14 relationship is determined (e.g., number of users, square footage, etc.). The asset is then
15 allocated to affiliates based on their share of the benefit from that asset according to the
16 applicable utilization methodology. More detailed information on the nature of the shared assets,
17 including the methodology used to allocate the charges between SoCalGas, SECC and its
18 unregulated affiliates, is presented in the direct testimony of Mark A. Diancin (Ex. SDG&E-26).

19 For purposes of allocating the amounts charged to the affiliates for shared assets to
20 SDG&E business segments, shared asset revenue allocated to the electric distribution and gas
21 segments are reflected in this testimony, while revenue assigned to the electric transmission
22 segment is the subject of FERC-jurisdictional rates. The amounts billed to the affiliates are

1 recorded as SDG&E miscellaneous revenue, and are net of the billings to SECC charged back to
2 SDG&E.

3 **15. Federal Energy Retrofit Program (“FERP”) (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
780	457	(323)

4
5 Under Executive Order 13132, the U.S. Government is authorized and encouraged to
6 enter into contracts with local utilities to expedite and facilitate the implementation of cost
7 effective energy and water conservation measures. SDG&E currently performs project
8 management under infrastructure improvement contracts. The amount recorded to miscellaneous
9 revenue reflects the difference between the revenues collected from the government agencies less
10 the costs incurred to perform the work. The net revenues are recorded as miscellaneous revenues
11 using a percentage of completion accounting methodology. The decrease in the 2016 forecast
12 from 2013 recorded is due to lower anticipated government contracts. The downward trend is
13 depicted in the 2009-2013 recorded information.

14 **16. Other Miscellaneous Revenues (\$000’s)**

2013 Recorded	2016 Test Year	Net Change
84	85	1

15
16 Other miscellaneous revenues reflect items not contained in any of the categories above,
17 including the provision of various goods and services to other parties and small revenue
18 enhancement programs such as environmental services.

19 **B. Gas Department**

20 Gas miscellaneous revenues are recorded to FERC accounts 488 (Miscellaneous Service
21 Revenues), 493 (Rents from Gas Properties) and 495 (Other Gas Revenues). The following table

1 summarizes miscellaneous revenues for 2013 recorded and 2016 estimated in thousands of
2 dollars (\$000's):

FERC Account	Description	2013 Recorded	2016 Test Year	Net Change
488	Miscellaneous Service Revenues	2,063	1,666	(397)
493	Rent from Gas Property	18	20	2
495	Other Gas Revenues	2,931	2,319	(612)
	Total	5,012	4,005	(1,007)

6 **Miscellaneous Service Revenues – Account 488**

7 These revenues reflect fees collected by the utility for SECs, Collection Charges, Late
8 Payment Charges and other service related fees.

9 **1. Service Establishment Charges (\$000's)**

2013 Recorded	2016 Test Year	Net Change
1,329	1,553	224

10
11 SECs are assessed in accordance with SDG&E's Commission-approved Tariff Schedule
12 G-91 and are applicable to all gas customers metered by SDG&E. As mentioned in Section
13 IV.A.1 above, the SEC is currently \$15.00. SDG&E proposes to update the fee structure to \$5
14 for non-fielded orders and \$25 for fielded orders. The updated fee structure is a better
15 representation of the costs¹⁰ SDG&E incurs related to this service and takes into account the
16 impact of SDG&E's Smart Meter remote disconnection capabilities. The most recent recorded
17 year (2013) reflects the reduction in revenues due to the impact of SDG&E's Smart Meter fee
18 reduction and remote disconnection capabilities. As described in the 2012 General Rate Case,
19 utilizing this remote disconnection capability significantly reduces SDG&E's costs and, in most
20 cases, eliminates the need for a fielded order. To include the full Smart Meter benefits, the

¹⁰ The cost of a fielded and non-fielded service is \$70.75 and \$3.86, respectively.

1 forecast for 2016 is based on the calculation of the most recent recorded year (2013) adjusted by
2 the estimated annual customer growth factors for the period 2014-2016 and the updated fee
3 structure. Customer growth is presented in the direct testimony of Rose-Marie Payan (Ex.
4 SDG&E-32).

5 **2. Collection Charges (\$000's)**

2013 Recorded	2016 Test Year	Net Change
689	47	(642)

6
7 Collection Charges are levied on customers to pay for the costs of delivering field
8 collection notices. The fees are based on \$9 and \$15 increments pursuant to SDG&E's
9 Commission-approved Rule 9 Tariff. The forecast includes the impact from D.14-06-036 in the
10 Commission's disconnection rulemaking, R.10-02-005.¹¹ The decision specifies procedures for
11 vulnerable customers,¹² communication practices, CARE enrollment, payment arrangements, and
12 re-establishment of credit deposits. This forecast also reflects the reduction in revenues due to
13 the impact of SDG&E's Smart Meter remote disconnection capabilities. There is no collection
14 charge for remote disconnection.

¹¹ *Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.* The forecast's estimated annual customer growth includes the effects of D.14-06-036, which has impacts on existing customer groups in addition to anticipated customer growth. The decision, issued June 26, 2014, approves a residential disconnection settlement agreement among SDG&E, Office of Ratepayer Advocates, The Utility Reform Network, Greenlining Institute, Center for Accessible Technology, Pacific Gas and Electric Company, Southern California Edison, and SoCalGas.

¹² According to D.14-06-036, SDG&E shall continue in-person visits within the 48 hours prior to, or at the time of, disconnection for special needs and Elderly (62 years +) profiled customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnected.

1 The 2016 forecast calculation is based on the forecasted Field Collection and
2 Disconnection orders, adjusted for: the operational fees mentioned above, no-charge orders for
3 vulnerable customers, and Call Center allowed credit adjustments. There is a large reduction in
4 field collection work due to the elimination of the fielded 48-hour First Call Collection orders
5 (\$9 fee). Starting on June 1, 2014, these notices will be sent via mail for all customers excluding
6 vulnerable customers. This eliminates about 249,000 chargeable fielded calls from 2013 to
7 TY2016, offset slightly by an increase in chargeable \$9 Second Call Collection orders for
8 vulnerable customers of 10,000, and an increase in Commercial disconnections (\$15 fee) of
9 2,700. Collection Charges are allocated to both the electric and gas departments. Additional
10 information on the forecasted changes to the collection process is described in the testimony of
11 Sara Franke (Ex. SDG&E-13).

12 **3. Late Payment Charges (\$000's)**

2013 Recorded	2016 Test Year	Net Change
45	66	21

13
14 Late Payment Charges are also assessed pursuant to SDG&E's Commission-approved
15 Rule 9 Tariff. The fees are charged to commercial customers for delinquent payments. In
16 determining the 2016 forecast, SDG&E used the most recent five-year historical average (2009-
17 2013) adjusted by the estimated annual customer growth factors for the period 2014-2016. This
18 forecast methodology utilizes the available historical data. This is an established service with no
19 significant changes; therefore, averaging the costs over a five-year period best reflects a
20 reasonable estimate of future annual revenues. Late Payment Charges are allocated to both the
21 electric and gas departments.

1 **Rent from Gas Property – Account 493**

2 These revenues reflect payments received by the utility for the rental of gas property and
3 equipment.

4 **4. Rent from Gas Property (\$000's)**

2013 Recorded	2016 Test Year	Net Change
18	20	2

5
6 Rents from gas property primarily reflect revenues received for the use of SDG&E's
7 operating sites, properties, licenses and right of ways. The 2016 forecast is based on the rents
8 received from existing lease agreements adjusted for applicable escalation clauses.

9 **Other Gas Revenues – Account 495**

10 Other gas revenues include the provision of various goods and services to other parties,
11 including shared assets charged to affiliates, federal government retrofit programs and other
12 miscellaneous revenue activities. Shared asset revenues reflect charges to SDG&E affiliates
13 primarily for the use of information technology and telecommunication assets. Government
14 retrofit programs reflect the provision of energy efficiency programs to government agencies.
15 This account also includes the revenues from CAC.

16 **5. Customer Advances for Construction (\$000's)**

2013 Recorded	2016 Test Year	Net Change
88	86	(2)

17
18 CAC revenue, also called "ownership cost deductions," reflects the amount of revenue,
19 based on a fixed percentage, which can be taken by SDG&E as a reduction to CAC deposits on a
20 monthly basis if the customer does not become eligible for refunds 1 (electric) to 3 (gas) years
21 after SDG&E's facilities are ready to provide service. CAC deposits are administered in
22 accordance with SDG&E's Commission-approved Rule 15 tariff – Line Extensions. The 2016

1 forecast reflects a five-year historical average (2009-2013) of the total monthly balance in the
2 CAC miscellaneous revenue account, adjusted for an ownership rate¹³ of 0.36%. This forecast
3 methodology utilizes the available historical data and adjusts for the gas ownership rate update.
4 This provides the best estimate of future annual revenues. Additional information on CAC
5 deposits is described in the direct testimony of Jesse Aragon (Ex.SDG&E-27).

6 **6. Shared Assets (\$000's)**

2013 Recorded	2016 Test Year	Net Change
2,641	2,039	(602)

7
8 Revenues from shared assets are allocated to both the electric and gas departments. The
9 nature of these charges and the methodology used to develop the 2016 forecast are described
10 above.

11 **7. Federal Government Retrofit Revenue (\$000's)**

2013 Recorded	2016 Test Year	Net Change
194	186	(8)

12
13 As explained above, under Executive Order 13132, the U.S. Government is authorized
14 and encouraged to enter into contracts with local utilities to expedite and facilitate the
15 implementation of cost effective energy and water conservation measures. SDG&E currently
16 performs project management under infrastructure improvement contracts. The amount recorded
17 to miscellaneous revenue reflects the difference between the revenues collected from the
18 government agencies less the costs incurred to perform the work. The net revenues are recorded
19 as miscellaneous revenues using a percentage of completion accounting methodology. The 2016

¹³ The ownership rate recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized.

1 forecast is based on the expected net revenue from existing contracts with various federal
2 entities. The decrease in the 2016 forecast from 2013 recorded is due to lower anticipated
3 government contracts. The downward trend is depicted in the 2009-2013 recorded information.

4 **8. Other Miscellaneous Revenues (\$000's)**

2013 Recorded	2016 Test Year	Net Change
8	8	0

5
6 Other miscellaneous revenues reflect items not contained in the categories above, such as
7 air emissions credits and environmental services.

8 **IV. CONCLUSION**

9 This concludes my revised prepared direct testimony.

10

1 **V. WITNESS QUALIFICATIONS**

2 My name is Michelle A. Somerville. I am employed by SDG&E as the Capital and
3 Operating Planning Manager in the Financial and Business Planning Department. My business
4 address is 8330 Century Park Court San Diego, California 92123. My current responsibilities
5 include preparing and managing the internal SDG&E financial plan including variance analysis
6 to actual financial results. I assumed my current position in August 2013.

7 I received a Bachelor's in Business Administration degree with an emphasis in
8 accounting as well as a Masters in Professional Accounting from the University of Texas at
9 Austin in 1992. I have been a Certified Public Accountant ("CPA"), licensed in the State of
10 Texas, since 1994.

11 I have been employed with SDG&E and Sempra Energy since 2000. In addition to my
12 current position in Financial and Business Planning, I have held various other positions
13 increasing in responsibility since April 2000. I served as the Regulatory Reporting Manager in
14 Utility Accounting (January 2013 – August 2014), Business Planning and Budget Manager for
15 the Electric Division of SDG&E (July 2010 – December 2012), the Regulatory Accounts
16 Manager of SDG&E (June 2007 – June 2010), the SDG&E Capital Asset Management
17 Supervisor (March 2005 - May 2007) and have also held senior analyst positions in the Business
18 Planning Department at SDG&E (December 2002 – February 2005) and Internal Audit
19 Department at Sempra Energy's corporate offices (April 2000 – November 2002).

20 I have previously testified before this Commission.

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APPENDIX A:

Glossary of Terms

APPENDIX A
GLOSSARY OF TERMS

- 1
- 2
- 3
- 4
- 5 CAC: Customer Advances for Construction
- 6 CARE: California Alternate Rates for Energy
- 7 DA: Direct Access
- 8 ESP: Energy Service Provider
- 9 FERC: Federal Energy Regulatory Commission
- 10 FERP: Federal Energy Retrofit Program
- 11 PD: Proposed Decision
- 12 RCS: Revenue Cycle Service
- 13 SEC: Service Establishment Charge
- 14 SECC: Sempra Energy Corporate Center

SDG&E 2016 GRC Testimony Revision Log – March 2015

Exhibit	Witness	Page	Line	Revision Detail
SDG&E-34-R	Michelle A. Somerville	Title		Changed Exhibit number from "SDGE-34" to "SDGE-34-R"
SDG&E-34-R	Michelle A. Somerville	Title		Changed "NOVEMBER 2014" to "MARCH 2015"
SDG&E-34-R-A	Michelle A. Somerville	Title		Changed Exhibit number from "SDGE-34-R" to "SDGE-34-R-A"
SDG&E-34-R-A	Michelle A. Somerville	Title		Changed "MARCH 2015" to "APRIL 2015"
SDG&E-34-R	Michelle A. Somerville	MAS-1	Table 1	Changed "\$15,207" to "\$15,220" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-1	Table 1	Changed "(\$1,974)" to "(\$1,961)" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-1	Table 1	Changed "\$4,000" to "\$4,005" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-1	Table 1	Changed "(1,012)" to "(1,007)" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-1	Table 1	Changed "\$19,207" to "\$19,225" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-1	Table 1	Changed "(\$2,986)" to "(\$2,968)" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R-A	Michelle A. Somerville	MAS-1	Table 1	Changed "\$17,118" to "16,141" to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-1	Table 1	Changed "(1,961)" to "(921)" to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-1	Table 1	Changed "22,193" to "21,153" to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-1	Table 1	Changed "(2,968)" to "(1,928)" to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R	Michelle A. Somerville	MAS-3	Table	Changed "\$6,920" to "\$6,933" to account for the changes in the Miscellaneous Revenues

				testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-3	Table	Changed “(\$2,199)” to “(2,186)” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-3	Table	Changed “\$15,207” to “\$15,220” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-3	Table	Changed “(\$1,974)” to “(\$1,961)” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R-A	Michelle A. Somerville	MAS-3	Table	Changed “\$9,191” to “\$8,079” to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-3	Table	Changed “(\$2,186)” to “(\$1,146)” to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-3	Table	Changed “17,181” to “16,141” to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-3	Table	Changed “(\$1,961)” to “(\$921)” to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R	Michelle A. Somerville	MAS-11	Table	Changed “\$5,072” to “\$5,085” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-11	Table	Changed “(\$1,963)” to “(\$1,950)” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R-A	Michelle A. Somerville	MAS-11	Table	Changed “\$7,035” to “\$5,994” to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R-A	Michelle A. Somerville	MAS-11	Table	Changed “(\$1,950)” to “(\$909)” to account for the removal of a FERC item in Shared Assets.
SDG&E-34-R	Michelle A. Somerville	MAS-14	Table	Changed “(\$614)” to “(\$612)” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-14	Table	Changed “\$4,000” to “\$4,005” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.
SDG&E-34-R	Michelle A. Somerville	MAS-14	Table	Changed “\$2,314” to “\$2,319” to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.

SDG&E-34-R	Michelle A. Somerville	MAS-14	Table	<i>Changed "(1,012)" to "(\$1,007)" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.</i>
SDG&E-34-R	Michelle A. Somerville	MAS-18	Table	<i>Changed "\$2,034" to "\$2,039" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.</i>
SDG&E-34-R	Michelle A. Somerville	MAS-18	Table	<i>Changed "(\$607)" to "(\$602)" to account for the changes in the Miscellaneous Revenues testimony on Shared Assets for Tax Bonus Depreciation changes.</i>